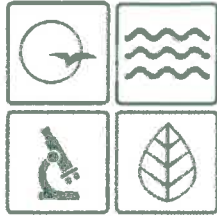


Missouri Department of Natural Resources  
Internal Audit Report No. 19-10  
Region J – Quad Lakes  
Solid Waste Management District  
December 28, 2018

Prepared for  
Ed Galbraith, Director  
Division of Environmental Quality

Prepared by  
Amanda Sifford, Senior Auditor





Missouri Department of dnr.mo.gov  
**NATURAL RESOURCES**

Michael L. Parson, Governor

Carol S. Comer, Director

**MEMORANDUM**

**DATE:** December 28, 2018

**TO:** Ed Galbraith, Director  
Division of Environmental Quality

**FROM:** Cindy Luebbering, Deputy Director  
Division of Administrative Support *Cindy*

**SUBJECT:** Final Audit Report – Region J – Quad Lakes Solid Waste Management District

Internal Audit conducted an audit of Region J – Quad Lakes Solid Waste Management District. The performance audit consisted of reviewing the internal controls of the district for July 1, 2015, through June 30, 2017. Conclusions and recommendations are included in the report for the following:

1. Voting Process
2. Conflict of Interest Disclosure Forms
3. Unobligated Carryover Approval Process

Please let me know if you have questions and/or concerns.

CL/as

c: Office of the Director  
Julie Allen, Division of Administrative Support  
Suzanne McKenna, Legal Counsel  
Carey Bridges, Division of Environmental Quality  
Deanne Boland, Division of Environmental Quality  
Chris Nagel, Division of Environmental Quality  
Rick Kempker, Division of Environmental Quality  
Leslie Street, Region J – Quad Lakes Solid Waste Management District  
Region J- Quad-Lakes Solid Waste Management District Executive Board

## **Executive Summary**

### **Background**

The Missouri Department of Natural Resources, Solid Waste Management Program is responsible for administering the policies and programs developed to ensure solid waste is managed in such a way that protects both public health and the environment. The Department provides funding to the Solid Waste Management Districts (SWMDs) for operations and for community-based waste reduction, reuse, composting, and recycling projects.

Missouri's 20 SWMDs created to foster regional cooperation among cities and counties in addressing solid waste management issues. The main function of a district is to develop a solid waste management plan with an emphasis on diverting waste from landfills and to assist with implementation of the plan. Plans should include provisions for a range of solid waste activities: waste reductions programs; opportunities for material reuse; recycling collection and processing services; compost facilities and other yard waste collection options; education in schools and for the general public; management alternatives for items banned from Missouri landfills and household hazardous waste; and preventative or remediation of illegal dumps. To help achieve their goals, SWMDs administer sub-grants to public and private entities within their SWMD with monies received from the Solid Waste Management Fund.

The Region J – Quad-Lakes Solid Waste Management District (Region J SWMD) was formed pursuant to Section 260.305, RSMo, and was officially recognized by the Department in December 1991. The SWMD is comprised of the following Missouri counties: Bates, Benton, Cedar, Henry, Hickory, and St. Clair counties. Participation in the SWMD is voluntary and is formally established through a resolution of adoption filed with the SWMD office by the member governments. The purpose is to develop and improve efforts to reduce the amount of solid waste generated and disposed of in a six county region as set forth in Chapter 260, RSMo. The SWMD will make recommendations and suggestions relating to solid waste collection, storage, transportation, remanufacture, and disposal. The SWMD also intends to promote local problem solving and autonomy in solid waste management systems.

### **Region J – Quad Lakes Sub-grants**

<b>Fiscal Year</b>	<b>Amount</b>	<b>Number of Projects Awarded</b>
2016	\$ 126,488.26	6
2017	\$ 94,867.88	5
<b>Total</b>	<b>\$ 221,356.14</b>	<b>11</b>

The SWMD has an administrative contract with Kaysinger Basin Regional Planning Commission. Region J SWMD's management structure is comprised of a Management Council consisting of 26 members and an Executive Board consisting of seven members. The Management Council is comprised of two representatives from each County Commission and one member from each city with a population over 500. The Executive Board is comprised of one member of each County Commission and one member at large. Management Council members serve two year terms and

Executive Board members serve one year or until a successor is designated. The SWCD also has a five member Advisory Committee comprised of three citizens, a member from the solid waste community and one Executive Board member.

### Objectives

The audit objectives were to:

- Determine the district, council, executive board, advisory committee or alternative management were organized properly and in accordance with state law.
- Determine the duties of the council and executive board or alternative management structure have been carried out as specified in state law.
- Review the district's internal controls for accounting and financial matters, safeguarding assets, sub-grantees, and compliance with laws, financial assistance agreements, solid waste plans, policies, and procedures.
- Determine the district was in compliance with laws, regulations, financial assistance agreements, solid waste plans, policies, and procedures.
- Determine the quarterly and final reports submitted to the Solid Waste Management Program were presented accurately and in accordance with guidelines.
- Determine expenditures from the SWMD were made from allowable and eligible costs.
- Determine the SWMD grant funds were awarded to sub-grantees or placed under contract properly and to review grant/contract management and monitoring of sub-grantees and contractors.
- Determine the SWMD secured assets of the District including the sub-grantee's equipment, buildings, and site improvements.
- Determine the sub-grant project effectively met its goal of diverting waste from landfills or providing environmental education and to determine cost per unit (tons of waste diverted or per student).
- Follow-up on prior audit recommendations, if needed.

### Scope and Methodology

The scope of the performance audit was for two fiscal years ending June 30, 2017. Fieldwork was completed on October 29, 2018, through October 31, 2018.

Our methodology included reviewing the organization of the District, minutes of meetings, written policies and procedures, records, and quarterly and final reports; interviewing District personnel, evaluating internal controls; and evaluating and inspecting grant projects. Our audit procedures and objectives were set forth in the Missouri Department of Natural Resources, Solid Waste Management District Audit Program.

The audit was conducted in accordance with the standards applicable to performance audits contained in the *Government Auditing Standards*. Those standards require the audit be planned and performed to obtain sufficient, appropriate evidence, and a reasonable basis for our conclusions and recommendations. The evidence obtained provides such a basis.

## Conclusions and Recommendations

The Department is responsible for ensuring the SWMDs are in compliance with grant terms and conditions, policies and with state and federal laws. The Department's internal audit process provides management reasonable assurances on the SWMD's compliance and on the accuracy of their reporting.

The organization, Missouri Sunshine Law compliance, cash assets, administrative management contract, records, general terms and conditions, District grants, and District operations grant substantially complied. We found improvement needed in the voting process, conflict of interest disclosure forms, and unobligated carryover approval process.

A schedule of sub-grant awards is included at the end of the report as Attachment 1.

### 1. Voting Process

The Missouri Sunshine Law sets out the requirements that meetings, records, and deliberations of public governmental bodies be open to the public unless otherwise provided by law. The Missouri Sunshine Law governs only state, local, and quasi-governmental bodies. The conflict of interest disclosure form signed by all board members requires a board member step out of the room for any meetings where a transaction or decision is being made regarding any of their direct or indirect interest.

We reviewed two board and council meeting minutes from each fiscal year and one of each from the current fiscal year. Through our review, we found in the March 17, 2016, meeting minutes that a board member abstained from voting on their own project specifically but we cannot determine from the meeting minutes taken whether this board member stepped out of the room and/or whether they abstained from voting on the all the grants collectively.

Detailing the voting process in the meeting minutes will reduce the risk and any appearance of improper voting.

**Recommendation:** Meeting minutes approving all grants collectively should be taken by roll call vote and any board member who has a transaction or decision being made regarding any of their direct or indirect interest step out of the room while those actions are taking place, and note in the minutes when they re-enter for subsequent business.

**Response:** The recommendations will be incorporated into all future meetings and meeting minutes.

### 2. Conflict of Interest Disclosure Forms

Board members are required by the SWMD's conflict of interest policy to sign the policy and disclose if they have any potential or action conflicts of interest.

Through our review of the signed disclosure forms we found that two state statutes specific to the approval of district sub-grants should be included. Section 260.324, RSMo, regarding members not approving their own sub-grants nor does it reference Section 260.320 (5), RSMo, regarding board members not being allowed to serve if they have a pecuniary interest in a solid waste regulated (permitted) facility should be included in the SWMD's conflict of interest policy.

Ensuring the abovementioned state statute references are included in the conflict of interest policy will ensure the board is fully aware of their responsibility and liability regarding conflict of interest.

**Recommendation:** The district should include the text of both of these statutory references to the conflict of interest disclosure forms to ensure all board members are aware and sign acknowledging these requirements each year. The district should require all board members attend conflict of interest training when newly appointed and on a periodic basis. The attendance records for these trainings should be retained by the district. This training should provide all information and any appropriate clarifying explanation regarding conflict of interest.

**Response:** The recommendation will be incorporated into the conflict of interest policy and attendance at the conflict of interest trainings will be documented moving forward.

### 3. Unobligated Carryover Approval Process

10 CSR 80-9.050 (2) (C) 6, authorizes districts to carryover \$20,000 or less in unobligated funds without having to obtain approval from the program. Any amount in excess of \$20,000 is to be allocated for projects other than district operations in the district's next request for project proposals unless approved by the program.

In FY 2017, the district's unobligated carryover was \$22,720. There was no indication the excess funds were approved by the program.

Obtaining approval for excess unobligated funds will ensure the district complies with the state regulations.

**Recommendation:** The district should allocate the excess carryover to projects other than district operations in the next request for project proposals, unless otherwise approved by the program.

**Response:** Approximately \$6,000 of the unobligated carryover was county membership funds, which are for conferences, meals, travel, insurance, and advertising. The remainder of the carryover was added to the grant call for sub-grants.

## Status of Prior Audit Recommendations

We reviewed the performance audit report on October 9, 2008, which reviewed three fiscal years ending 2007. Twelve of 15 recommendations were implemented. There was one recommendation no longer applicable regarding a required financial audit. This district is not currently subject to a financial statement audit. There was another recommendation partially implemented regarding compliance with Chapter 610, RSMo, and having sufficient documentation in the board meeting minutes. There was one recommendation not implemented regarding conflict of interest and how projects were approved during board meetings. Both of these will be repeat findings.

### Attachment 1 – Schedule of Sub-grant Awards as of June 30, 2017

Sub-grant No.	Description	Awarded	Disbursed	Unspent
J2016-001	Region J District Operations	\$34,000.00	\$32,222.81	\$0.00
J2016-0002	City of Windsor Curbside Recycling	\$9,465.20	\$9,225.82	\$239.36
J2016-003	H. Roe Bartel Scout Reservation Recycling Program	\$29,000.00	\$17,349.92	\$0.00
J2016-004	Henry County Industries Project Expansion	\$30,182.90	\$28,157.81	\$0.00
J2016-005	Evans Drug: Recycle Today Save Tomorrow	\$5,840.16	\$2,924.60	\$0.00
J2016-006	Wheatland R-II School Rediscovery	\$18,000.00	\$18,000.00	\$0.00
J2017-001	Region J District Operations	\$38,910.00	\$37,101.55	\$1,808.45
J2017-002	Recycling Bins Replacement Bates County Industries	\$3,717.72	\$3,717.72	\$0.00
J2017-003	Recycle Today Save Tomorrow Evans Drug	\$4,640.16	\$2,401.35	\$2,238.81
J2017-004	In the Green Productions - Jack Kaufman	\$9,600.00	\$9,600.00	\$0.00
J2017-005	A.T.E. – Meredith Used Car Sales & Recycling L.L.C.	\$38,000.00	\$32,300.00	\$5,700.00
Sub-Total		\$221,356.14	\$193,001.58	\$9,986.62
Interest Income				\$79.57
Unobligated Carry-over				\$22,720.09
Cash Balance				\$32,786.28

Source: The schedule presented in this report was taken directly from the District financial system reports, quarterly reports, and projects by region reports.